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Research Update:

Evans, NY GO Debt Rating Raised To 'AA-'; Outlook Stable

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Overview

- S&P Global Ratings raised its rating on the town of Evans, N.Y.'s general obligation (GO) debt to 'AA-' from 'A+'.
- The outlook is stable.
- The upgrade reflects our view of Evans's consistently positive financial performance resulting in higher nominal reserves compared to historical levels, supported by a low level of debt-and-retirement liabilities.
- The rating is also based on the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024.

Rationale

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	

Security

A faith-and-credit pledge, including an agreement to levy unlimited ad valorem taxes on all taxable property within town limits, secures the GO bonds outstanding.

Credit highlights

The upgrade to 'AA-' reflects our view of Evans's continued growth in reserves to levels significantly exceeding those of previous years; positive financial operations; and prudent management of debt and liabilities at levels lower than rating peers'. While further upward rating movement is unlikely because the town's economic metrics lag higher-rated peers', lack of material debt issuance plans over the outlook horizon and our expectation of positive financial performance over the next two fiscal years brings rating stability over the outlook period.

The town has produced surplus results in each of the last several years, with an 11.7% average net operating result in the last three fiscal years, notably higher than peers in the state. Its excess operational margins typically stem from conservative budgeting on cyclical revenue and

expenditure sources as well as from maximizing property tax levy growth (83% of revenues) up to the state's cap annually. Much of Evans's expenditures are guided by labor contracts, of which the police contract, the largest one, is settled though fiscal 2027, lending predictability and stability to the budget. While we do not have audited figures, unaudited fiscal 2024 has ended with an additional surplus of approximately $300,000 and an increase in unassigned reserves due to continued conservative budgeting, higher mortgage tax, and lower-than-budgeted expenditures. The fiscal 2025 budget incorporates tax increases up to the state's allowable increase cap, conservative estimates for sales and mortgage tax, and new contractual increases for the town's electrical workers. We do not expect unassigned fund balance to decline despite annual transfers to its capital projects fund, which management indicates is sufficient to cover any maintenance capital needs.

The town has approximately $14.7 million in debt outstanding, which we view as manageable. While the town has a further $13.7 remaining in authorized but unissued debt, management indicates that further issuance plans involving a water project are only in very preliminary discussions and will likely take place outside the outlook period. Therefore, we expect the town's liabilities profile to remain relatively unchanged over the next few years.

The rating reflects our view of Evans's:

- Solid economic base, with county-level economic activity on a per-capita basis that is on par with the national average. Local incomes are also comparable to national averages due to the town's access and participation in the Buffalo metropolitan statistical area. The town is on Lake Erie and the population could increase up to 30,000 visitors during the summer season. However, year-round population estimates point to declines over the last five to ten years, a trend we believe will continue, which weakens our view of the town's economy. A county-backed agricultural park within the town's borders is expected to add to economic development in coming years.
- Positive financial performance for the past couple of years due to consistently conservative budgeting. Unassigned reserves have grown in recent years, and we expect they will stay in line with current levels over the outlook horizon.
- Financial management policies and practices that are standard compared to those of state peers. Budgeting practices include a three-year lookback when designing the budget and monthly budget-to-actual reporting, but no forward-looking financial planning, which we believe could render the town vulnerable to unexpected shifts in revenue or expenditures. Evans's formal reserve policy targets 5% of budget for unassigned fund balances, which the town is well above. Investment policies are in compliance with state guidelines. The town's cyber practices are in line with those of peers.
- Manageable debt-and-liability profile, in our view, with limited near-term issuances; large pension and other postemployment benefit (OPEB) liabilities that we expect to slowly improve over time; and participation in two well-funded state-run pension systems--the Police & Fire Retirement System and the Employees' Retirement System. However, including the town's net OPEB liability of $10.3 million, costs on a per-capita basis are elevated and weaken our overall view of Evans's debt-and-liability profile.
- For more information on our institutional framework assessment for New York municipalities, see "Institutional Framework Assessment: New York Local Governments," published Sept. 10, 2024.

Environmental, social, and governance

We have analyzed social and governance factors and view them as generally neutral within our credit analysis, although we view the state statutory framework that limits the creation of trust funds to offset OPEB liabilities as a governance weakness for the New York state local government sector. Given its location along Lake Erie, Evans' physical risks are somewhat elevated but the town has not experienced physical damage from flooding in the last couple of years due to its higher elevation. The town has worked with Erie County on a hazard mitigation plan.

Outlook

The stable outlook reflects our view that the town will maintain balanced operations and robust reserves at near current levels and a low debt-and-liabilities profile over the outlook horizon.

Downside scenario

If Evans's financial performance deteriorates such that reserves decline with no plans to restore or if the town were to issue significant amounts of debt, we would consider a negative rating action.

Upside scenario

We could raise the rating if management's policies and practices strengthen while Evans's economic metrics improve to levels commensurate with higher-rated peers'.

Evans, New York--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.10
Economy	3.5
Financial performance	1
Reserves and liquidity	1
Management	3.00
Debt and liabilities	2.00

Evans, New York--Key credit metrics

	Most recent	2023	2022	2021
Economy				
Real GCP per capita % of U.S.	99	99	98	98
County PCPI % of U.S.	89	89	88	90
Market value ($000s)	1,571,157	1,390,513	1,230,232	1,164,850
Market value per capita ($)	104,064	92,099	71,434	71,110
Top 10 taxpayers % of taxable value	13.1	11.0	7.1	5.2
County unemployment rate (%)	3.9	3.5	3.5	5.3
Local median household EBI % of U.S.	91	91	96	99
Local per capita EBI % of U.S.	91	91	92	94
Local population	15,098	15,098	17,222	16,381

Evans, New York--Key credit metrics

	Most recent	2023	2022	2021
Economy				
Financial performance				
Operating fund revenues ($000s)	--	11,831	10,710	10,960
Operating fund expenditures ($000s)	--	9,670	9,255	9,199
Net transfers and other adjustments ($000s)	--	(999)	(222)	(246)
Operating result ($000s)	--	1,162	1,233	1,515
Operating result % of revenues	--	9.8	11.5	13.8
Operating result three-year average %	--	11.7	14.3	14.1
Reserves and liquidity				
Available reserves % of operating revenues	--	43.5	25.2	40.1
Available reserves ($000s)	--	5,148	2,702	4,394
Debt and liabilities				
Debt service cost % of revenues	--	5.0	6.3	8.7
Net direct debt per capita ($)	974	1,074	1,020	962
Net direct debt ($000s)	14,701	16,209	17,568	15,766
Direct debt 10-year amortization (%)	69	55	--	--
Pension and OPEB cost % of revenues	--	6.0	9.0	10.0
NPLs per capita ($)	--	536	220	336
Combined NPLs ($000s)	--	8,094	3,784	5,503

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List		
Upgraded		
	To	**From**
Local Government		
Evans, NY Unlimited Tax General Obligation	AA-/Stable	A+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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